

Monetary Authority Law

The president,
 Executive committee of the Palestine Liberation Organization,
 The Chairman, Palestinian National Authority,

Having seen

- The articles of association of the Palestine Liberation Organization,
- Law No (5) of 1995 concerning transfer of authorities and powers,
- The rules of procedure of the Palestinian Legislative Council,
- the approval of the Palestinian legislative Council,
- the approval of the Palestinian Legislative Council,

And based on the powers vested in US,
 Issued the following law.

CHAPTER ONE

Definitions and General Provisions

Article (1)

In application of the provisions hereof, the following words and phrases shall have the meanings designated for them below unless otherwise stated.

National authority:	The Palestine National Authority.
Cabinet:	The National Authority Cabinet
Legislative council:	The Palestinian Legislative Council
Monetary authority:	The Palestinian Monetary Authority
Board:	The Monetary Authority Board Of Directors
Governor:	the governor of the monetary authority
Deputy governor:	the deputy governor of the monetary authority.
Member:	The Monetary Authority Board Member
Spouse:	Husband or Wife
Bank:	Any bank licensed to carry out banking transactions in Palestine according to the provisions of the Banks Law.
Specialized Lending Institution:	Every institution or corporate body created in Palestine and its main objective is granting of loans for special purposes to be determined by the cabinet and considered for the purposes hereof a specialized lending institution.

Public Institution:

Every authority or body or any other public corporation in Palestine enjoying a corporate character.

Finance Companies:

Any company whose articles of association and deed of incorporation provide that its objectives, *inter alia*, are carrying out of financial transactions having relevance to the financing of development and investment projects, management of investment portfolios and financial brokerage, in accordance with the provisions of banks law.

Exchange Activities:

Dealing in foreign currencies and valuable metals, in accordance with the provisions of the Exchange Activities Law.

Exchanger:

Every one licensed to practice the exchange activities in accordance with the provisions of exchange Activities Law.

Negotiable Currency:

Any currency that can be transacted in the local and international money markets and can be freely negotiated at rates commensurate with the provisions of the International Monetary Fund Convention.

Currency and Credit Law:

The law concerned with issue, control over and organization of currency and credit.

Article (2)

An authority called "the Palestinian Monetary Authority" shall hereby be created having an autonomous corporate character and full legal capacity to exercise all the works and actions which guarantee realization of the objectives for which it has been instituted, including possession of the real estates and movables, required for the progress of its works and exercise of its activities, and disposal thereof, in accordance with the provisions of the law.

Article (3)

The Monetary Authority and its transactions shall be exempt of all taxes and government duties, including revenue stamp duties.

Article (4)

The head office of the Monetary Authority shall be at the city of Jerusalem and its temporary office shall be at any other place to be determined by the National Authority. The Monetary Authority may open branches for it in the provinces of Palestine, close them and appoint agents or correspondents for it locally and abroad as work condition so requires.

Article (5)**Objectives, Duties and Powers of The Monetary Authority**

The Monetary Authority aims at securing soundness of banking work, maintaining monetary stability and encouragement of economic growth in Palestine in line with the general policy of the National Authority, and in accordance with the provisions of the law: -

1. Exercise the privilege of issuing the national currency and coins in due course, in accordance with the terms and conditions to be determined by the law relative to the issue of currency and securing the cash reserve necessary for that.
2. Organize banking activities, issue and cancel licenses of the banks, control and supervise them, and impose penalties on them.
3. Prepare, organize and publish the balance of payments.
4. Provide cash flow to the banks within the legally established limits.
5. Work out, organize and implement monetary and credit policies as well as the policies of dealing in foreign currencies, in accordance with the provisions of the currency and credit law.
6. Keep and manage the national authority reserve of gold and foreign currencies.
7. Render financial and economic advice to the National Authority, carry out economic and monetary analysis on regular basis and publish their results.
8. Serve as financial agent to the national authority and Palestinian public institutions inside and outside Palestine.
9. Work out and implement the regulations, decisions and instructions which guarantee maintenance of an effective, secure and sound banking system.
10. Organize credit quantity, quality and cost in order to respond to the requirements of economic growth and monetary stability, in accordance with the provisions of the currency and credit law.
11. Work as a bank for the licensed banks, specialized lending institutions and finance companies and control them in a way that guarantees soundness of their financial standing and protection of depositors' rights.
12. Organize activity of the exchange profession, finance companies, development and investment funds, issue relevant licenses, and control and supervise them.
13. Perform any other works assigned to it under any legislation, law or agreement, providing that they are not inconsistent with the provisions hereof.

Article (6)

The Monetary Authority may perform the following, providing that they are not inconsistent with the provisions hereof:

1. Issue, manage and maintain securities on behalf of the National Authority, buy them from individuals and banks and other bodies and sell them to them, with a view to realize its monetary policy.
2. Effect the transfer connected with its activities.
3. Grant licenses to the banks or their branches approve their merger, closure, opening of offices or withdrawing licenses from them.
4. Sell movable or real estate devolving on it in settlement of due debts.
5. Buy, lease and sell its own buildings and equipment, and maintain them.
6. Organize, render precise, control, protect and manage paper currency and metal coins circulated in accordance with the currency and credit law.
7. Impose adequate fees on any kind of services rendered by it.
8. Terminate all the operations and activities exercised before the issue of this law which are inconsistent with the provisions hereof.

Article (7)

- a) The Monetary Authority may not:
 - i) Render financial assistance, whether in direct form, grant, emergency commitment, purchase of indebtedness articles or in any other form, except within the provisions of this law.
 - ii) Carry out any commercial activities or buy shares in companies or finance companies.
 - iii) Buy or rent any real estates, except what it considers necessary or suitable for the exercise of its activities and discharge of its functions.
- b) As an exception from the above provisions, the monetary authority may:
 - i) Have a share in the property of any institution and be a shareholder in an institution performing other activities considered by the monetary authority as necessary for the discharge of its functions or responsibilities in a sound manner, including international monetary and finance institutions.
 - ii) Invest its financial resources in the liquid indebtedness securities issued by the bodies enjoying credit capacity and collect the debts due it.
 - iii) Obtain, for the purpose of the debts due it, the interests and rights referred to in this article, providing that it disposes of these interests or rights as soon as possible.
 - iv) Create pension and provident funds and provide advances and loans to its employees, in accordance with the provisions of the law.

CHAPTER TWO

Article (8)

- a) The authorized capital of the Monetary Authority shall be fifteen Million U.S Dollars, or equivalent in the circulated currencies, to be paid by the National Authority, and the capital may be increased by a decision to be adopted by the Chairman of the National Authority at the recommendation of the Board.
- b) The capital is not transferable or mortgageable and may not be reduced except by a law.

Article (9)

If the budget for each fiscal year indicates that the assets of the Monetary Authority are less than its total capital and commitments, the deficit shall be covered from the reserve balance assigned for that and, in case of insufficiency of that the National Authority shall pay the difference in cash or issue for its account negotiable indebtedness securities at the interest rates prevailing in Palestine and transfer them to the Monetary Authority.

Article (10)

The net profits for each fiscal year shall be determined after settlement of the indebtedness securities issued in accordance with the preceding article and after deduction of all the commitments and expenses particularly:-

1. the reserve of dead debts whose collection is doubtful
2. Depreciation of the assets and operation cost for the fiscal year.
3. Pension and provident funds.
4. Any reserves assigned for other expected expenses or for covering any deficiency in the assets of the Monetary Authority.

Article (11)

- a) At the end of each fiscal year, the net profits shall be transferred to the capital account until the authorized capital is covered in full.
- b) Upon covering the capital in full, an amount equivalent to 25% of the net profits shall be credited to the general reserve until the balance in this account becomes twice as much the capital.

The general reserve may not be used excepts for the purposes of reducing the loss sustained by the monetary authority.

Article (12)

After deduction of all commitments and expenses and completion of transfers to the general reserve account, the net profits shall devolve upon the treasury of the National Authority.

Article (13)

Distribution of the profits mentioned in the preceding articles may not be obligatory if the Monetary Authority sees from the facts of its budget, and after approval of the Chairman of the National Authority, that its financial standing will be affected negatively as a result of that.

CHAPTER THREE

Management

Article (14)

- a) Management of the Monetary Authority shall be undertaken by a board of Directors Consisting of nine members, presided over by the governor, with membership of each of:-
 1. Deputy governor.
 2. Representative of the Ministry of Finance.
 3. Six persons highly specialized in banking, financial economic and legal affairs capable of participation in achievement of the objectives of the Monetary Authority, providing that none of them is working in the banks sector.
- b) It is a condition that all members of the Board have to be well - known impartial persons highly efficient in banking, financial or economic affairs.

Article (15)

- a) The governor and deputy governor shall be appointed by a decision to be taken by the Chairman of the National Authority at the proposal of the cabinet.
- b) The representative of the Ministry of Financial shall be appointed by a decision to be taken by the Chairman of the National Authority at the proposal of the Minister of Finance.
- c) The remaining board members shall be appointed as follows:
 1. Two members by a decision to be taken by the Chairman of the National Authority.
 2. Three members proposed by the cabinet and by a decision to be

taken by the Chairman of the National Authority.

3. One member proposed by the governor and by a decision to be taken by the Chairman of the National Authority.

- d) Term of membership of the governor and his deputy shall be four years and the term of membership of the board members shall be three years.
- e) The governor, deputy governor or member may be reinstated another time.
- f) If the position of the governor, his deputy or any member becomes vacant before expiration of its term a replacement shall be appointed in accordance with the provisions of Para (a), Article (14) hereof, to complete the remaining period.

Article (16)

No one except a Palestinian national shall be appointed as governor, deputy governor or member and he has to give the following legal oath before the Chairman of the National Authority:

" I swear in the name of god the great that I will be loyal to my country Palestine and that I will devote all my capabilities to the performance of the duties assigned to me as a governor, deputy governor, member of the board of the Monetary Authority, with all honesty impartiality and sincerity, and that I will observe the law and confidentiality of all decisions and transactions to which I have access in relation to the activities of the Monetary Authority, unless otherwise is required by the law."

Article (17)

- a) The board of Directors is the higher authority for the issue of decisions at the monetary Authority; it is entrusted with approving the policies of the Monetary Authority and supervision of the management of its operations in a manner that serves the established economic policy of the National Authority; and it enjoys full powers to achieve its objectives in accordance with the provisions hereof.
- b) The Board shall be responsible before the Chairman of the Palestinian National Authority.

Article (18)

Under the provisions hereof, the powers of the Board include the following:-

1. Determination of the monetary, credit and investment policies of the Monetary Authority and supervision of the good performance of its duties.
2. Determination of the matters connected with the issue of currency and withdrawing it from circulation, in accordance with the provisions of the Currency and Credit Law.

3. Licensing the banks operating in Palestine, withdrawing their licenses, imposing penalties on them and approving their merger and opening of new branches.
4. Licensing the opening of branches of foreign banks and their representative offices and withdrawing these licenses of these branches and offices.
5. Licensing the specialized lending institutions and finance companies.
6. Determination of the percentage of compulsory reserve which banks must keep at the Monetary Authority and determination of the rate of discount, interests and commissions charged by the Monetary Authority and the limits of market operations opened by it.
7. Approval of the Monetary Authority regulations and rules and endorsement of the internal policies governing its management and operations.
8. Approval of the regulations of employees and workers at the Monetary Authority and determination its organization structures.
9. Creation of the Monetary Authority branches, offices and agencies and cancellation thereof.
10. Approval of the amount and terms and conditions required for issue and circulation of the bankable paper.
11. Approval and application of appointment of the policies having relevance to foreign currencies dealing operations and determination of the commercial papers discount system.
12. Creation of the dead debts reserves whose collection is doubtful after completion of the legal procedures in this regard.
13. Recommending any increases in the capital of the Monetary Authority.
14. Working out the bases of dealings of the Monetary Authority with the banks.
15. Approval of the annual budget of the Monetary Authority.
16. Approval of the annual report, final audit and the profit and loss account.
17. Approval of appointment of the general and regional managers and advisers of the banks.
18. Working out regulatory controls for the rules of granting housing loans provided by the Monetary Authority to the employees working in it.
19. Appointment of advisers for the service of the Monetary Authority for a definitive period at the conditions approved by the Board.
20. Appointment of general and executive managers at the Monetary Authority, at the recommendation of the Governor.
21. Appointment of an independent auditor to the Monetary Authority who shall submit his report to the Board with copies thereof to be made available to the Chairman of the National Authority and the cabinet.
22. Carrying out all other works falling within its jurisdiction.

Article (19)

- a) The salary and other financial rights of the Governor and Deputy Governor as well as the remuneration of board members shall be determined by a decision to be taken by the chairman of the National Authority.

- b) The salaries, remuneration and allowances of Board members of employees of the Monetary Authority may no be paid on the basis of the profits realized by it.

Article (20)

- a) The Board shall meet at the invitation of the Governor or his Deputy and it may also meet at a request in writing to be submitted by one third of the board members at least to the governor or in his absence, his deputy. The invitation for meeting must indicate the date place and agenda of the meeting five days at least before the date appointed for holding of the meeting, and in case of necessity the meeting may be held by giving a shorter notice.
- b) The Board holds an ordinary meeting once at least every month.
- c) The Governor presides over the meetings of the Board of Directors and in the event of his absence the Board will be presided over by the deputy governor.

Article (21)

- a) Holding of the Board meeting will not be valid unless two thirds at least of its members are present, providing that the governor or deputy governor will be present.
- b) The Board shall take its decisions by majority of the number of board members, unless otherwise stated; and in case of equal votes the side of the person presiding the meeting will prevail.

Article (22)

- a) Deliberations at the meetings of the Board shall be confidential. However, the Board may after approval of all its members make some of its deliberations public.
- b) In cases where approval of all Board members is a condition, the decision of the Board hall be considered valid even in the event of vacancy of one of the Board of Directors' seats.

Article (23)

- a) The Governor, Deputy Governor and member shall, after his appointment and in every subsequent year submit to the Board regular and complete information about the commercial and financial interests directly or indirectly related, which belong to him or to his wife and minor children.
- b) Every member having an interest in a subject presented for discussion inside the Board shall declare his interest and withdraw from the meeting before the

discussion starts, in which case he will not participate in decision-making, and will not be counted for discussion purposes, within the quorum required for Board meetings.

Article (24)

Powers of the Governor

According to the provisions of the law, the Governor is considered the first executive responsible for management of the Monetary Authority activities and will be responsible before the Board for execution of the decision taken by the Board. The Governor also represents the Monetary Authority in its relationships with the National Authority, local and foreign bodies, third parties and before the courts.

The Governor exercises, particularly, the following:

1. Advising the Board of the decisions and actions taken with respect to the important subjects and issues.
2. Signing together with the Minister of Finance the bank notes, according to the provisions of the Currency and Credit Law.
3. Signing the contracts which impose financial commitments on the Monetary Authority.
4. The Governor shall be the payment orderer at the Monetary Authority, in accordance with established regulations and instructions or as determined by the Board of Directors in this regard.
5. Signing, individually or collectively with others at the Monetary Authority, of accounting reports and data, financial statements and important correspondence and documents, in accordance with established regulations and instructions or as determined by the Board of Directors in this regard.
6. Representing the Monetary Authority before the competent Legislative Council's committees entrusted with researching currency affairs or the laws associated with its activities, unless a decision is taken entrusting a third party with that.
7. Publishing any data or announcements having relevance to the policy and procedures of the Monetary Authority.
8. The Governor may, subject to the Board's approval, delegate in writing his Deputy or other employee at the Monetary Authority to exercise some of his powers, and he remains responsible for such powers before the Board.

Article (25)

The Governor shall submit to the Board a periodic report, quarterly and as necessary, about the management and operations of the Monetary Authority, status of the banking system, conditions of the monetary and financial markets, foreign currency markets and all the events and circumstances which influenced or are expected to influence the Monetary Authority.

Article (26)

Under the provisions of the law and in cases of utmost necessity and unfeasibility of meeting of the Board, a three-member committee formed of the Governor Deputy Governor and a third member to be nominated by the Board, as an exception from the provisions of Article (18), may take a decision in relation to the duties of the Board of Directors in which case he shall call the Board to meet within a period of five days maximum from decision-making to notify the Board thereof, , and the Board may cancel the decision of the committee.

Article (27)

- a) The Deputy Governor assists the Governor in the performance of his duties and functions and he exercises all the power and responsibilities of the Governor during his absence from work for any reason.
- b) In case of absence of the Governor and his Deputy, the Chairman of the National Authority requests a member of the committee to perform the duties of the Governor temporarily until either of the two return to work, and that may not be for more than three months.

Article (28)

- a) The Governor and his Deputy shall work full time at the Monetary Authority and neither of them may, while assuming his position, do any work or hold any position or job with or without a wage nor work in the service of any banking or financial institution for a years after leaving service with the Monetary Authority.
- b) Any Board member or employee of the Monetary Authority may not accept any gifts, assistance or credit for himself or for any other person with whom he has a family, commercial or financial relationship, if such decreasing his loyalty to his work.
- c) No employee at the Monetary Authority may perform any other work with or without a wage.

Article (29)

- a) The Board may, in case of necessity, seek assistance of the experts whom it considers necessary, determine their remuneration and call to its meetings whom the Board likes to listen to his opinion in a particular subject without having a counted vote in the deliberations.
- b) Subject to Board approval, the Governor may appoint for advice an advisory committee from outside Monetary Authority employees and may determine its functions, way of work and remuneration.

Article (30)**Resignation**

The Governor, Deputy Governor or member may tender his resignation from his position to the Chairman of the National Authority in which case another person shall be appointed in his place within a period not exceeding three months from the date of accepting the resignation.

Article (31)**Termination of Service**

a) The services of the Governor, his Deputy or board member shall be considered terminated in any of the following cases:-

1. if he is convicted in a crime or misdemeanor involving moral turpitude or honesty.
2. If he declares his bankruptcy.
3. If he loses his capacity or is banned from exercising his duties by a court decision.

b) Services of the Governor, his Deputy or any member shall terminate by a decision to be issued by the Chairman of the National Authority in any of the following cases:-

1. If he absents himself from attending three consecutive meetings of the Board without good reason.
2. If he grossly neglects, or causes serious damage to, the interests of the Monetary Authority.
3. If he violates the provisions of this, or any other, law having relevance to the banking activity.

Article (32)

By a decision to be issued by the chairman of the National Authority at the proposal of the cabinet, an independent auditors shall be appointed to audit the accounts of the Monetary Authority and certify the annual budget and profit and loss accounts and other financial lists issued by it; and shall submit his report to the Chairman of the National Authority and the cabinet. The Monetary Authority shall put at the disposal of the auditor any of its records, books and documents which he considers necessary and suitable for the performance of his work.

Article (33)

No member, employee, agent, auditor or correspondent may disclose, declare in any form, use or enable another person to have access to any data or information having relevance to the affairs of the Monetary Authority or its customers, which data or information he obtains *ex officio*, unless that is required for the performance of his duties, subject to definite official instructions or in execution of law or court verdict.

CHAPTER FOUR

Relationship with the National Authority

Article (34)

Without inconsistency with the provisions hereof- :

1. The Monetary Authority may accept deposits from the National Authority and public institutions; and in its capacity as a depository it has to receive any amounts of money from the National Authority, open an account for it and carry out the banking services and operations associated with it. The Monetary Authority shall pay amounts of money within the limits of the deposited amounts pursuant to payment orders; and the Monetary Authority may agree on payment of interest on these deposits.
2. The Monetary Authority may authorize other financial institutions to accept such deposits, in accordance with the conditions set in this regard.

Article (35)

In accordance with the provisions hereof- :

- a) The Monetary Authority serves as a financial agent to the National Authority in the following fields:
 1. Marketing, management and transfer of the indebtedness securities issued by the National Authority and public institutions, and working as a register for these securities.
 2. Execution of payment transactions relative to the accounts of the National Authority and public institutions opened with the Monetary Authority.
 3. Any works, assigned to it by the National Authority, commensurate with the objectives and duties of the Monetary Authority.

b) The Monetary Authority after agreement with the Ministry of Finance, may perform all the duties related to the registration, control, and management of foreign debt of the National Authority and public institutions, in accordance with the conditions to be set by the National Authority in conformity with the laws and regulations of the Monetary Authority.

Article (36)

- a) At the request of the Minister of Finance, the Monetary Authority may provide the treasury with interest - free advance to cover any seasonal deficit arising out from increase of the National Authority expenses to its revenues, providing that the advance submitted under the provisions of this article shall not be in excess of ten percent of the local revenues as estimated in the budget law in force at the time of submission of the request for advance.
- b) This advance shall be for a period of three months, renewable for another three months and so on, providing that it will be paid within twelve months maximum from the date of its submission.
- c) The conditions relative to this advance shall be determined in agreement between the Ministry of Finance and the Monetary Authority, according to the cash and credit status prevailing at the time of its submission.

Article (37)

- a) The Chairman of the National Authority and the cabinet will seek the opinion of the Governor when matters associated with the monetary or credit policy are discussed; or when any foreign loan or credit granted to the national authority or public institutions is negotiated; in order to show its effect on the monetary stability and status of payments in Palestine.
- b) The cabinet and minister of finance will seek the opinion of the governor when matters associated with the financial policies having reflections on the monetary and credit statuses in Palestine are discussed.

Article (38)

The Monetary Authority may buy or sell the indebtedness securities issued by the National Authority in the secondary market, directly or indirectly, pursuant to the re-purchase agreements.

Article (39)

The Monetary Authority shall submit to the National Authority and cabinet once every three months a detailed report on its works and activities and on the monetary status in Palestine. The Monetary Authority also shall report on its works during that year in addition to the general annual budget, profit and loss account and other financial lists endorsed by the independent auditor.

CHAPTER FIVE

Relationship With Banks

Article (40)

- a) Subject to the Provisions hereof, banking works may not be practiced except after obtaining a license for that from the Monetary Authority and licensed banks shall be recorded in the register designated for that at the Monetary Authority. Licensing decision shall be published in the official Gazette.
- b) The Monetary Authority shall work out the regulations and instructions required for that. Such regulations and instructions will be issued by a decision from the Chairman of the National Authority at the proposal of the board, and shall be published in the Official Gazette.
- c) The banks existing at the time of enforcement of the regulations and instructions under reference in the preceding paragraph shall adjust their situations according to these regulations and instructions within the determined period, providing that such period will not be less than three years, and the Monetary Authority will determine the relevant procedures.

Articles (41)

The Board shall work out the regulations and instructions which regulate the confidentiality of accounts at the banks and exchange by banks of the information and data relative to the indebtedness of their clients and the facilities decided for them with the Monetary Authority and between themselves, in accordance with the provisions of the Banks Law.

Article (42)

- a) No banks other than those licensed and registered in accordance with the provisions hereof may use in their commercial address or in their publicity the expressions of "bank" or "banker" or any other expression similar to them which may, in any way, mislead the public regarding the nature of their activity.

b) Anyone violating the provisions of the preceding paragraph shall be penalized by imprisonment for a period not exceeding three months and a fine not exceeding U.S. Dollar 250,000.00 or equivalent in the circulated currency or by either of these two penalties, unless another law provides for a severer penalty.

Article (43)

Licensed banks shall request approval of the Monetary Authority on the amendments which they would like to carry out on their deeds of incorporation or articles of association, and such amendments will not be effective except after entering them on the margin of the register of the concerned bank.

Article (44)

- a) No licensed bank may stop carrying out its operations or merge in any other bank except after obtaining a license from the Monetary Authority.
- b) The license under reference in the preceding paragraph may not be issued unless the Monetary Authority ensures the bank's fulfillment of all its commitments towards its clients and creditors or settlement thereof in a manner acceptable to the Monetary Authority.

Article (45)

- a) The Monetary Authority may cross out the licensed bank from the register in any of the following cases:
 1. at the request of the concerned bank.
 2. If the bank do not practice its activities within a year from the date of notifying it of its registration decision.
 3. If it declares its bankruptcy or it has been decided to administer it.
 4. If it merged in another bank without the Monetary Authority's approval.
 5. If its violation of the provisions hereof or any other legislation is repeated in a manner threatening the interest of the depositors.
- b) Before crossing out, the Monetary Authority shall request the concerned bank to submit its comments on the facts underlying the crossing out within two weeks from the date of its receiving notice from the Monetary Authority

- c) The crossing out results in withdrawing of the license automatically and the decision shall be considered valid as of the date of its being published in the official Gazette, unless another validity date is provided for.
- d) The bank may refuge to courts to challenge the crossing out decision according to the law.

Article (46)

- a) The Monetary Authority exercises control over the banks and in the course of that it may carry out inspection of any bank to ensure the soundness of its financial standing and how far it observes the provisions of the law and the regulations, decisions and instructions issued by the Monetary Authority, and the bank shall enable whom the monetary authority entrusts with the inspection from having access to all the books, documents, instruments, accounts, funds and safes and shall provide him with all the information he requires.
- b) The international accounting standards (IAS) issued by the international accounting standards committee (IASC) shall be used in the evaluation, analysis and registration of all banks operations and in the preparation of all their final audits and financial lists.

Article (47)

- a) If a licensed bank violates the provisions hereof, its articles of association or any measure imposed by the Monetary Authority or if it fails to submit the data and information that have to be submitted or submitted deficient or non-factual information, the Monetary Authority may impose on the violating bank one of the following penalties:
 1. . Warning
 2. Reduction or suspension of the credit facilities granted to it.
 3. Preventing it from carrying out certain operations or imposing any other penalties on the bank violating in the exercise of its activities.
 4. Appointment of a temporary controller to supervise the progress of its activities.
 5. Dissolution of the Board of Directors of the violating bank and appointment of an authorized person for management of the bank for a

period not exceeding six months, and during the term of his appointment the authorized person presents the matter to the bank's general board to select a new Board of Directors.

6. Crossing it out from the banks' register.
- b) In all cases no penalty may be imposed except after listening to the explanations of the concerned bank.

Article (48)

If the Monetary Authority discovers, after inspection of the activities of any bank, that it has violated the laws, regulations or instructions, or did not observe the conditions of the license granted to it, the Monetary Authority may ask it to take the corrective measures or it imposes on such bank any of the established penalties.

Article (49)

- a) Any licensed bank whose main office is in Palestine may not open a new branch for it inside Palestine nor may it change the location of the branch or close a branch except after securing the prior approval of the Monetary Authority thereon.
- b) Any licensed bank branch of a foreign bank may not open a new branch for it inside Palestine nor may it change the location of the branch or close a branch except after securing the prior approval of the Monetary Authority thereon.

Article (50)

The Monetary Authority shall co-operate on the basis of reciprocity with any foreign body undertaking responsibility for control over the banks and it may exchange information with it, providing that it undertakes to respect the confidentiality of information.

Article (51)

- a) The Monetary Authority shall have the power of determining banks' compulsory reserve requirements on the basis of the regulations and instructions determining the percentages of reserve and the method of computing it by a certain percentage or percentages of their different deposits, providing that such percentage shall not be less than (5%) nor more than (35%) of them; the penalties it imposes on banks because of their failure to abide by either of the two percentages; and any benefits the Monetary

b) The compulsory reserve shall be deposited with the Monetary Authority according to a system to be issued for this purpose determining the percentages of the compulsory reserve based on the volume of deposits, borrowed funds and any other commitments of the banks. Percentage of the compulsory reserve shall be the same for category of the commitments in respect of the one currency for all banks of the same category.

Article (52)

The Monetary Authority may open any bank accounts it considers necessary for the discharge of its functions, open accounts for the banks in its books and accept the deposits from these banks, in accordance with the terms and conditions to be determined by the Monetary Authority.

Article (53)

The Monetary Authority shall create singly or in co-operation with the banks, a central information service for the banking system and shall continue updating this service.

Article (54)

The Monetary Authority shall render to the banks the set-off and settlement of payments service.

Article(55)

The Monetary Authority, in co-ordination with the Ministry of Finance, may act as a mediator to bring the funds provided by the international financing institutions and foreign governments to the beneficiaries, in accordance with the provisions of the general budget law.

Article (56)

a) The Monetary Authority may buy, sell, discount or return the discount to the banks, the different credit articles, for financing of the commercial, industrial and agricultural operations.

- b) The due date of these articles may not exceed ninety (90) days from the date of possessing them by the Monetary Authority, and in any case this period may not be extended under any circumstances.

Article (57)

The Monetary Authority may provide the banks with loans or advances for a period not exceeding one hundred twenty (120) days to cover the cash flow requirements of the banks, subject to a surety in any of the following assets:

1. .the international reserve articles
2. The other public debt securities issued or guaranteed by the National Authority which constitute a part of public subscription.
3. Any deposits with the Monetary Authority or with another depository acceptable to the Monetary Authority such as assets which, under this law, the Monetary Authority is permitted to buy or sell or deal in them including gold.

Article (58)

- a) If any of the banks requests extension of the provided credit or amendment of the conditions of the surety of this credit as established in the preceding article, it has to submit to the Monetary Authority a financial correction program.
- b) After approval of the board of this program, the Monetary Authority may grant the requested extension and accept amendment of the surety conditions, providing that the total value of the loan will not exceed 20% of the total amount of the bank's recoverable assets.

Article (59)

- a) The board determines the maximum percentage of the value of the surety deposited to guarantee each one of the credit operations set forth in the preceding articles.
- b) During the term of the facilities referred to in Articles (57) and (58) hereof, the Monetary Authority shall exercise special control over the bank granted these facilities and in the course of that it may take all the measures permitted under the law.

c) If the Monetary Authority discovers that the concerned bank could not fulfil the approved program, the Monetary Authority shall take the appropriate legal measures and in all cases the total period of the granted loans and facilities may not exceed 180 days including the original period referred to in Article (57) hereof.

Article (60)

The Monetary Authority shall determine the interest rates or benefits imposed on the banks against the discount or credit operations or other direct or indirect facilities, and it may set interest rates or benefits for the different categories and kinds of operations or transactions up to its discretion.

CHAPTER SIX

Organization of Foreign Exchange and Foreign Relationships

Article (61)

- a) Except for national currency, all other currencies are considered to be foreign exchange.
- b) In accordance with the Foreign Exchange Control Law and the Exchange Activities Law, the Monetary Authority shall be responsible for:
 1. Working out the regulations and instructions regulating the dealing in foreign exchange.
 2. Granting and cancellation of licenses of the dealers in foreign exchange.

Article (62)

Without inconsistency with the provisions of the law, the Monetary Authority shall perform the following:

1. Buying of checks, deeds, bankable paper, gold, silver and foreign currencies and selling, transferring or accepting them as trust.
2. Buying and selling of shares and securities in any financial or banking institution established in Palestine, providing that the cabinet approves these measures and that the total investment of the Monetary Authority in such shares and securities will not exceed (25%) of the total capital account and general reserve.

3. Pursuant to special agreements to which the National Authority is a party and by a decision to be issued by the Chairman of the National Authority, the Monetary Authority may subscribe to the capital of any banking or financial institution established outside Palestine, providing that the total subscriptions of the Monetary Authority will not exceed (25%) of the capital account and general reserve.
4. Opening of accounts with the central banks and foreign or international financial institutions and keeping of these accounts with them after approval of the cabinet.
5. Acting as agent or correspondent bank for the central banks and foreign financial institutions, and the international institutions and their agents, in the scopes falling within its jurisdiction.
6. Rendering advice to the National Authority in all the contracts of loans and securing sureties and guarantees for these loans.
7. Conducting negotiations and concluding set-off and payments agreements and any other contracts for these purposes with the public or private set-off central institutions existing abroad.

Article (63)

- a) The Monetary Authority shall be responsible for the international reserves of the National Authority and all the Palestinian public institutions pursuant to the terms and conditions to be determined by the board in co-ordination with the Ministry of Finance, taking into consideration the cash flow and profitability standards at the time of selection of reserve assets.
- b) The international reserves consist of some or all of the following assets:
 1. Gold
 2. Foreign currency kept with the Monetary Authority or in accounts abroad with first class financial and banking institutions.
 3. Any other assets internationally recognized (as international reserve)
 4. Promissory notes and bills of exchange drawn up in foreign currencies and accepted general acceptance in the international operations, and payable abroad.
 5. Government bonds issued by foreign governments in their own currency, providing that the cabinet decides their classification as qualified bonds.

6. Other negotiable securities issued by international agencies or first class foreign financial institutions, providing that they are classified by the board as qualified securities.

Article (64)

The Monetary Authority shall create an account called "assessment reserve account", and shall manage this account in the following manner:

1. This account includes any profits which may realize as result of the change which occurs on the value of the assets or liabilities of the Monetary Authority kept with it in gold and other local and international currencies which the Monetary Authority do not approve as an accounting unit.
2. If the change in currency or gold prices results in a loss affecting the value of the assets and liabilities of the Monetary authority and causes a deficit in the assessment reserve account, the National Authority shall issue interest-free negotiable securities to cover the deficit in it.
3. If a surplus in the assessment reserve account is realized at the end of any fiscal year, it shall be allocated to the payment of the value of the securities indicated in the preceding paragraph.
4. If an additional surplus develops as a result of changes in the prices of currencies or gold after payment of the value of the securities indicated in para (2) of this article, it may not be used for other purposes and remains in the assessment reserve account to be used in covering any future losses, in accordance with the provisions of this article.
5. Any profits or losses resulting from the fluctuations of currencies or gold prices and are not the accounting unit used by the Monetary Authority remains in the "assessment reserve account" and appear in the profit and loss account.

CHAPTER SEVEN

Accounts, Financial data, Reports and Audit

Article (65)

- a) The fiscal year of the Monetary Authority starts on the first day of January and expires on the last day of December of each year.
- b) The Monetary Authority shall maintain complete accounts and records

which reflect accurately its operations and financial statuses, in accordance with the International Accounting Standards (I.A.S.) issued by the International Accounting Standards Committee (I.A.S.C.)

c) The Monetary Authority shall prepare data on each fiscal year and enter them in its general budget, profit and loss accounts and associated data, in accordance with the International Accounting Standards (I.A.S.) issued by the International Accounting Standards Committee (I.A.S.C.).

Article (66)

a) The Monetary Authority shall submit to the Chairman of the National Authority and the cabinet, within three months from the end of each fiscal year, the following:

1. A copy of its financial statements certified by the approved independent auditors.
2. A report on its operations and activities during that year.

b) The Monetary Authority shall publish a summary of the data and reports referred to in para (a) of this article and it also may publish any reports and financial and economic studies.

c) The Monetary Authority shall, within fifteen days from the end of each three months, prepare and publish brief financial data covering that period.

Article (67)

The Monetary Authority shall submit to the Chairman of the National Authority and cabinet an annual report within a month from the end of each fiscal year including, at least, the following:

1. A projection and an explanation of the general policies and programs to be adopted by the Monetary Authority in the semi-annual and annual range for achievement of its purposes.
2. A projection of the principles and bases planed to be followed by the Monetary Authority in approving and execution of its general policies over the next two years, or during a longer period, as the Monetary Authority may determine.
3. A review and an evaluation of the activities and achievements of the Monetary Authority during the period subsequent to the last report.

Chapter EIGHT

Final Provisions

Article (68)

- a) The Monetary Authority shall have a distinguished unconditional status in fulfillment of all the claims due by it from any cash balances and other assets in its possession, for its own account, or for the account of the concerned debtor, whether as a surety to secure its claims, or otherwise, at the time such claims become due and payable, except for banking assets which are in possession of the Monetary Authority as compulsory reserves.
- b) The Monetary Authority may exercise its preferential right only through maintenance of cash balances and selling of other assets against a reasonable price, and may pay to itself from the proceeds of sale, after discount of the costs associated with this sale. Issue of a judicial write is not necessary for the Monetary Authority exercise of its preferential right, and any competitive claims shall not be permitted to delay the exercise of this right, in accordance with the provisions of this article.

Article (69)

- a) The Monetary Authority gathers from the qualified bodies and economic agents the information and statistics required for achievement of its objectives and performance of its duties.
- b) The Monetary Authority shall determine by a special system the type of required information and statistics, the form in which this information should be submitted, and the bodies undertaking to provide it with information and confidentiality of the information submitted to it.

Article (70)

The Monetary Authority enjoys organization powers for the performance of its duties, and all the regulations and instructions shall be published in the available means of publishing, and shall be valid as of the date determined for their enforcement; and the Monetary Authority shall maintain a general record for these regulations and instructions.

Article (71)

The Monetary Authority may not be cancelled or liquidated except by a law and

such law shall determine the procedures and dates of liquidation.

Article (72)

Any provision inconsistent with the provisions hereof, including decision No (184) of 1994 forming the Palestinian Monetary Authority and the decision appointing a director general of it, shall hereby be revoked.

Article (73)

The Board shall work out the regulations and decisions required for application of the provisions hereof which shall be issued by a decision from the Chairman of the National Authority and published in the official Gazette.

Article (74)

All competent departments, each within its jurisdiction, shall implement this law which shall take effect after thirty days from the date of its issue in the Official Gazette.

Pursuant to the powers vested in me, I endorse the issue of this law on:

16th. Sha'ban, 1418 , corresponding to:

16th. December, 1997

Signed:

Yasser Arafat
President, Executive Committee of the Palestine Liberation Organization

Chairman, Palestinian National Authority